Dear Andrew,

Yesterday in Parliament, I asked an Urgent Question of the Secretary of State for Work and Pensions regarding the recent reports which have surfaced on Motability.

As you may be aware, Motability has provided cars to disabled people for the last four decades. It allows those who are eligible to receive Disability Living Allowance, the Personal Independence Payment, War Pensioners Mobility Supplement or Armed Forces Independence Supplement to obtain a car through a Contract Hire lease. In the past it has also facilitated Hire Purchase Schemes. Motability holds £2.4bn in cash reserves.

Their rationale for holding this money is that it allows them to insure themselves against the risk from its leasing schemes. However, I also understand that leases and hire purchases through Motability have involved loans made by major banks to purchase the cars.

I understand that Motability Operations Limited operates with Financial Conduct Authority authorization.

I am therefore writing to ask:

- Whether the Financial Conduct Authority would expect an organisation like Motability to hold such a large amount of money in reserve to cover risk?
- Would the Financial Conduct Authority expect a bank making a loan to Motability to price in the £2.4bn reserves when assessing the risk to set an interest rate on a loan?
- Would the Financial Conduct Authority consider it appropriate for both Motability to hedge against the risk of a Motability contract via reserves and for the Bank to also do
• so via the interest rate on a loan?
• What assessment the Financial Conduct Authority has made of the operations of Motability in recent years?
• Is the Financial Conduct Authority content that Motability is fully compliant with all aspects of relevant legislation?

Parliament will be investigating this issue in a joint hearing of the Treasury Select Committee and Work and Pensions Select Committee on Monday 5th March. I would appreciate it if you could provide a response before that date.

Yours sincerely

JOHN MANN
Member of Parliament for Bassetlaw